

## UKRAINE'S PLACE IN THE WORLD AGRO-INDUSTRIAL COMPLEX

*I. Shukel, S. Karlyuk (language supervisor)*  
*V.N. Karazin National University, Kharkiv*

**Shukel I., Karlyuk S. Ukraine's place in the world agro-industrial complex.** The article deals with the main indicators of the agro-industrial complex of Ukraine, its advantages and disadvantages, the place of Ukraine in the world agro-industrial complex. The main ways of development of agrarian and industrial complex of Ukraine in conditions of modern national and world economy are viewed, ways to increase its competitiveness are presented.

**Key words:** agrarian sector, agro-industrial complex, competitiveness, farm agriculture, enterprise, export.

**Шукель І., Карлюк С. Місце України в світовому агропромисловому комплексі.** В статті наводяться основні показники агропромислового комплексу (АПК) України, його переваги і недоліки, обговорюється роль України в світовому АПК. Розглянуто основні шляхи розвитку АПК України в умовах сучасної вітчизняної і світової економіки, а також пропонуються методи посилення її конкурентоспроможності.

**Ключові слова:** аграрний сектор, агропромисловий комплекс, експорт, конкурентоспроможність, сільгосп підприємство, фермерство.

**Шукель И., Карлюк С. Место Украины в мировом агропромышленном комплексе.** В статье приводятся основные показатели агропромышленного комплекса (АПК) Украины, его преимущества и недостатки, обсуждается роль Украины в мировом АПК. Рассмотрены основные пути развития АПК Украины в условиях национальной и мировой экономики, а также предложены основные методы укрепления её конкурентоспособности.

**Ключевые слова:** аграрный сектор, агропромышленный комплекс, конкурентоспособность, сельхозпредприятие, фермерство, экспорт.

The modern world economy is developing rapidly, every year it becomes more difficult to predict the future direction of its development. There are a growing number of new industries such as IT, bioengineering, robotics, etc. But even now, agriculture is a leader in the world as one of the most profitable budget items. Transactions on purchase / sale of agricultural

products are carried out every minute. This is due to the fact that nutrition is a key human need, and a task of each state is to ensure food security for its population, and therefore the demand for agricultural products will grow steadily along with the growth of population on the planet.

The agricultural sector is one of the most promising sectors of the national economy. This is the oldest and most common branch. It employs about 1 billion people (CIS – 20 million, countries of Central and Eastern Europe – 12 million, developed countries – 22 million, China – 450 million, developing countries – about 600 million people). Agro-industrial complex (AIC) is a common system of agricultural and industrial enterprises and industries welded together through integration.

Ukraine is a major producer and exporter of agricultural products. This is facilitated with a rich resource base, historical features of economic development, mild climate. Agriculture is one of the main components of Ukraine's economy. Ukraine also has the record amount of black soil, a tenth of all world reserves and 44% of the state's territory, which is also one of the most significant factors in the development of AIC. Agricultural lands occupy about 70% of the territory of Ukraine (41/5 million hectares). At the same time, large agricultural companies retain less than 19% of the total arable land. In Ukraine, almost all known grain crops, which can grow in temperate and semi-tropical natural areas, are grown. The main export crops are wheat, sunflower oil, corn, honey, and other grains and leguminous crops. According to the State Statistics Service, in 2017 the share of the AIC in the country's GDP was about 12% or 340 billion hryvnias. Over 40% of Ukrainian exports are agricultural products, totaling more than \$15 billion [4].

Ukrainian AIC is steadily growing even in the conditions of a continuous extension of the moratorium on sale of agricultural land. In 2017, farmers gathered 62.3 million tons of grain – the second largest result in the recent history of Ukraine. In addition, the volume of capital investments in the agricultural sector over the past year amounted to more than \$2 billion. This is 30.7% more than in 2016 and 4/3% more than in pre-war 2013. Over 75 % of this amount is investment in crop production and related services. Ukraine is the world leader in production and export of wheat and corn. Thus, in 2016, the world produced 175.2 million tons of wheat, and Ukraine produced 6% of the

total, which is the 7<sup>th</sup> result after the USA, Canada, France, and Russia. Ukraine holds the 3<sup>rd</sup> position in corn export. 73.7 thousand tons of honey were produced in 2013, and according to this indicator, the country ranks 1<sup>st</sup> in Europe and 5<sup>th</sup> in the world (after China, India, Argentina, and the USA). Ukraine is among the three largest producers and exporters of sunflower oil in the world. Thus, it can be concluded that Ukraine is a very big player on the global agricultural market, but along with positive trends, Ukraine's AIC has certain problems. These are corruption, bureaucracy, general instability of economy, low level of AIC infrastructure. The following issues require immediate resolution:

- Poor interaction of all components of the industry;
- A cumbersome regulatory and legal system regarding the agrarian policy in Ukraine;
- Excessive tax burden;
- The problem of unstable and traditionally overpriced economy;
- Worn-out material-and-technical base on which small and medium farmers operate;
- Total corruption in Ukraine related to AIC;
- Insufficient qualifications of small farmers in matters of modern methods of intensive agricultural production;
- Lack of state support for small and medium farmers;
- Underdeveloped and depreciated infrastructure related to ensuring the flow of goods within the country;
- Imperfect state export strategy in the field of agriculture;
- Deterioration of the situation with the organization of irrigation in the south of Ukraine.

These are the key factors that reduce the overall competitiveness of both the AIC of Ukraine and the overall competitiveness of the state on world markets. However, despite all the drawbacks, Ukraine maintains the pace of development of rural economy and it turns out that investors are not afraid of general economic stagnation, nor corruption, nor the post-Soviet bureaucracy. The question arises, "why?".

First, the land is known to be one of the most fertile in the world. With all the other things, the potential of its yield has not yet been studied. Industry experts say that over 100 million tons of grain per year are expected in future.

However, the achievement of this goal is hampered by backwardness of agricultural methods and lack of modern agricultural technology.

Secondly, Ukrainian products are increasingly being bought in the world and in particular in the EU. According to the data of the domestic Institute of Agrarian Economics, in the first quarter of 2018 alone, trade in agricultural products of Ukraine with the EU countries amounted to \$2.2 billion. Spain, the Netherlands, Italy, Poland, Germany and France are the main partners (72% of the total turnover) [1]. Mainly cereals are delivered, as well as sunflower oil.

Also, very problematic for the agricultural sector of Ukraine is a moratorium on sale of agricultural land. Today, 96% of all land in Ukraine falls under its effect. In such conditions it is very difficult to form the real value of the land, and therefore the price of its rent is one of the lowest in the world, even despite the very high yield. But even in such conditions, many small farmers prefer to work in the shadows because of which the budget is short of hundreds of millions of dollars in taxes every year. According to the World Bank estimates, lifting the moratorium will give Ukraine's budget an additional income of between \$0.7 and \$1.5 billion annually. In addition, in future the actual price per hectare of land can range from \$3,000 to \$3,500 instead of the current \$800 – \$1,200.

Key areas for solving existing problems:

- Search for innovative solutions related to minimizing the costs of harvesting, transporting, storing and processing agricultural products – in other words, using logistic approaches for doing business;
- The introduction of advanced business models, primarily based on a network economy – that is, the creation of an electronic-communicative environment in which legal entities and individuals can contact each other about joint business activities;
- Building efficient models of interaction between research centers and successful businesses;
- Development of measures to stimulate the processes of cooperation between small and medium-sized farmers through the creation of unions, associations, cooperative enterprises, etc.
- Work related to the expansion of existing and access to new markets for products of farmers from Ukraine;

- Work related to improving the quality of training young specialists in the field of agriculture, including through the exchange of experience with leading economies of the world.

Thus, Ukraine, on the one hand, is a major producer and exporter of agricultural products, primarily due to fertile lands and large volumes of the economy, and on the other hand, it needs big changes and improvements. And precisely because of the above problems, it occupies only the 23<sup>rd</sup> position among the largest agricultural players on the world arena [2].

Nevertheless, the agricultural sector, even despite the difficulties, is growing at a very high rate. And the export share of Ukraine on the world market may increase even more, provided the industry go to the production and export of finished products with high added value. Of course, the EU's quotas remain a significant obstacle to increasing exports of agricultural products. However, in future, they will be increased, but even today they do not divert farmers from developing other promising markets such as China, Israel, and the United Arab Emirates. For creation of a positive business climate fundamental changes are needed in the area of property rights protection, justice, and the fight against corruption. These problems are a stumbling block not only for Ukrainian AIC, but also for the entire economy of the country [3,4].

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